

~~SECRET~~

~~CONFIDENTIAL~~

OCI NO. 9773

10 September 1954

*cde*

# CURRENT INTELLIGENCE WEEKLY



DOCUMENT NO. 20  
NO CHANGE IN CLASS.

DECLASSIFIED

CLASS CHANGED TO: TS S

NEXT REVIEW DATE:

AUTH. HR 70-2

DATE: 7-15-79

REVIEWER:

25X1

CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

~~SECRET~~

25X1

~~CONFIDENTIAL~~

DIA review(s) completed.

THIS MATERIAL CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, USC, SECTIONS 793 AND 794, THE TRANSMISSION OR REVELATION OF WHICH IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

The Current Intelligence Weekly has been prepared primarily for the internal use of the Central Intelligence Agency. It does not represent a complete coverage of all current situations. Comments and conclusions represent the immediate appraisal of the Office of Current Intelligence.

~~SECRET~~  
**CONFIDENTIAL****SUMMARY OF CONTENTS**

THE SOVIET WORLD . . . . . Page 4

THE GUATEMALAN SITUATION FOLLOWING CASTILLO'S  
ASSUMPTION OF THE PRESIDENCY . . . . . Page 6

Lt. Col. Carlos Castillo Armas strengthened his immediate position when he assumed the presidency of Guatemala on 1 September. He still faces serious difficulties in putting his regime on a firm permanent basis, however, owing to continuing army dissatisfaction and his own disinclination to tackle economic and social problems.

ELECTION PROSPECTS IN IRAQ, SYRIA, AND JORDAN . . . . Page 8

National elections are scheduled in Iraq, Syria, and Jordan between mid-September and mid-October. In each country, the traditional ruling elements seem assured of victory. At first glance this would suggest stability. In the long run, however, the characteristic refusal of these elements to come to grips with basic social and economic problems will make for instability and raises the prospect of disorders inimical to Western interests.

AIRCRAFT PRODUCTION IN EUROPEAN SATELLITES INCREASES. . Page 10

Increased aircraft production in Czechoslovakia and the initiation of jet fighter production in Poland tend to reduce the dependence of the European Satellite air forces on the Soviet Union for their military aircraft requirements. Satellite production is expected to reach approximately 1,200 aircraft during 1954, or about 12 percent of the estimated Soviet production.

SATELLITE PRODUCTION REPORTS INDICATE 1954 PLAN FAILURES. . . . . Page 13

All the Eastern European Satellites except Poland failed to meet their original production goals for the first six months of 1954, thus placing targets for this year in jeopardy. Unless the Satellites succeed in their program to raise labor productivity, they will continue to fall short of their economic goals.

10 Sept 54

CURRENT INTELLIGENCE WEEKLY

Page 2

~~SECRET~~~~CONFIDENTIAL~~

SECRET

STRIKES IN SOVIET FORCED LABOR CAMPS DURING 1953 . . . Page 15

Major strikes at several forced labor camps in the northern coal mining area near Vorkuta and at the copper mining center of Norilsk in the summer of 1953 indicate that the Soviet forced labor system is not invulnerable to antiregime activities, and support emigré claims that so-called "resistance centers" have been formed by groups of prisoners.

**SPECIAL ARTICLE. CURRENT TACTICS IN THE FAR EASTERN  
COMMUNIST PROGRAM . . . . . Page 16**

Moscow and Peiping are playing complementary roles in the post-Geneva phase of the Far Eastern Communist program, which almost certainly will continue to emphasize political forms of action. The developing program is apparently to involve an increase in conciliatory gestures toward the Asian "neutrals" and Japan, an increase in menacing gestures and subversive activity directed primarily toward governments which co-operate closely with the United States, and limited military action against Chinese Nationalist territory.

10 Sept 54

## CURRENT INTELLIGENCE WEEKLY

Page 3

**SECRET**

~~SECRET~~

## THE SOVIET WORLD

After several months of gradually increasing public prominence for party first secretary Khrushchev, the Soviet leaders have withdrawn behind a facade of the strictest collectivity. All public listings are alphabetical, and there is virtually no evidence of discrimination among members of the ruling group. Visible signs of any behind-the-scenes maneuvering are at a minimum; Malenkov, Molotov, and Khrushchev all went vacationing in the Crimea simultaneously and the leadership situation appears relatively stable.

The increased public appearances of the Soviet leaders over the past several months seem designed to reduce the psychological gap between the rulers and the people. Soviet newspapers and picture magazines have carried photographs of Malenkov, Khrushchev, and others, at the agricultural exhibition, the air show, football games, parades, and collective farms. The conversion of the Kremlin from an inner sanctum of Soviet government and international Communism into a public museum is a further move to dispel the aura of mystery and intrigue--characterized by Khrushchev as "much nonsense"--which has long surrounded the top leadership.

The purpose of this public relations campaign is to humanize the top leaders in their relationship with the people, and to enlist popular support for the regime's programs. This amounts to a belated recognition of the value of a technique of government long utilized in the West, and is a reflection of the increased flexibility of the present regime.

With the defeat of EDC, Orbit propaganda swung immediately to an attack on alternative forms of German rearmament. A statement in Pravda that the opposition to a revival of German militarism extends through France, Britain, Italy, and also West Germany shows the scope of the developing Communist campaign.

The Molotov proposal for a European security pact, highlighted in a Pravda article and in statements issued by the East German government and the French Communist central committee, remains the primary Orbit weapon to combat German rearmament. The East German statement opposed "every attempt to restore German militarism" and the French Communists described the French rejection of EDC as opposition to "the arming of Germany in any form whatsoever." The East Germans also

~~SECRET~~

~~SECRET~~

repeated their proposal for all-German talks, and the French Communists demanded that France support the Soviet call for four-power talks.

Recent moves by both the USSR and Communist China strengthen the bid for Japanese favor. Communist China authorized Japanese freighters to use the port of Dairen and announced a cut in export prices to Japan. The USSR substantially reduced the price of Sakhalin coal to Japan. The Soviet trade mission visiting Tokyo reportedly proposed exchange visits of business leaders in the two countries, and recommended a direct correspondence agreement between central Soviet and Japanese banks.

International Communism also pulled strings to influence the Japanese. The French and Italian Communist-dominated General Labor Confederations invited the Japanese General Council of Trade Unions to send missions on one-month tours of France and Italy. The Japanese accepted. A conference of "Asian leaders and organizations" attended by Japanese Communists will take place in November in India to discuss easing of international tensions in Asia. Since Geneva, Japan has become increasingly vulnerable to this psychological offensive which, if maintained, might seriously increase Japanese neutralism and Tokyo's opportunistic bargaining with both the free and Communist worlds.

Current Peiping broadcasts announcing the allocation of funds for flood relief and reconstruction omit any reference to assistance from the Soviet Union. The apparent failure of the USSR to offer relief after three months of unprecedented floods is in contrast to the immediate offers of token assistance made to the Eastern European Satellites during their floods in June of this year and also to a recent \$20,000 offer made to India.

10 Sept 54

CURRENT INTELLIGENCE WEEKLY

Page 5

~~SECRET~~

~~SECRET~~

**THE GUATEMALAN SITUATION  
FOLLOWING CASTILLO'S ASSUMPTION OF THE PRESIDENCY**

Lt. Col. Carlos Castillo Armas strengthened his immediate position when he assumed the presidency of Guatemala on 1 September following the dissolution of the three-man junta which had ruled the country since 7 July. He still faces serious difficulties in putting his regime on a firm permanent basis, however, owing to continuing army dissatisfaction and his own disinclination to tackle economic and social problems.

The dissolution of the junta followed a month of growing discontent among Castillo's associates in the "liberation movement," rumors of army disaffection, and a perceptible waning of public confidence. It strengthened his immediate position in that it was preceded by the voluntary resignation of the two other junta members, including Colonel Elfego Monzon, whose loyalty to Castillo had been suspect. Castillo's public promise on 2 September that he would soon call for the election of a constituent assembly improves the prospects for the preparation of a permanent constitution and scheduling of regular elections. Castillo rules under a conservative "political statute" which replaces the liberal 1945 constitution and disenfranchises illiterates.

The end of the junta does not, however, assure elimination of the rivalry between elements of the professional army and Castillo's more conservative associates. The former, although anti-Communist, are linked with a liberal and anti-clerical tradition; the latter are more strongly anti-Communist, are proclerical, and favor the utilization of the "liberation army" as the guarantee of a forceful anti-Communist policy. This rivalry is likely to determine the course of political maneuvering for months to come.

The success of Castillo's new government in securing the backing of labor, which retains a great potential political importance, will depend on its ability to carry out his anti-Communist program without repudiating the social and economic advances made since the popular revolution of 1944. Social, agrarian, and labor measures have been deferred and Castillo's speech of 2 September gave only a secondary emphasis to economic and social measures.

The morale of labor is low because of unemployment and indiscriminate action by employers in the guise of "anti-Communism." Anti-Communist labor leaders have, to date, been

10 Sept 54

CURRENT INTELLIGENCE WEEKLY

Page 6

~~SECRET~~

**SECRET**

permitted to attempt reorganization of the labor movement but have been given very little encouragement by Castillo, who has emphasized that labor must play a strictly nonpolitical role. Should labor dissatisfaction be paralleled by continued discontent in the army, the conditions might be established for a powerful liberal, though non-Communist, alliance against Castillo.

There appears to be little chance of a resurgence of Communist leadership in the near future. All known Communist organizations have been dissolved and a drastic anti-Communist decree of broad applicability has been enacted, though the top Communist leaders have not been apprehended and may find refuge in neighboring countries. The Communist Party's strategy will probably be to minimize activity clearly identifiable as Communist, but at the same time encourage popular suspicion that the Castillo government opposes social reforms and widely accepted rights of labor.

10 Sept 54

CURRENT INTELLIGENCE WEEKLY

Page 7

**SECRET**

**SECRET****ELECTION PROSPECTS IN IRAQ, SYRIA, AND JORDAN**

National elections are scheduled in Iraq, Syria and Jordan between mid-September and mid-October. In each country, the traditional ruling elements seem assured of victory. At first glance this would suggest stability. In the long run, however, the characteristic refusal of these elements to come to grips with basic social and economic problems will make for instability and raises the prospect of disorders inimical to Western interests.

In Iraq, Prime Minister Nuri Said is endeavoring to assure himself of a parliamentary majority in the 12 September elections. A dominant figure in Iraqi politics for the past 33 years, he draws strength from the landed conservative elements and from the support and confidence of the palace. Through a series of political maneuvers, Nuri has succeeded in so disorganizing the opposition that the overwhelming majority of the candidates now favor him.

The prime minister can be expected to maintain effective control of parliament, relying on authoritarian measures to suppress potential opposition to his policies. Such economic reforms as he may initiate are unlikely to offer a serious threat to the position of the landed proprietors and the governing classes.

Nuri, one of the most pro-Western of Arab statesmen, may be expected to work for a closer alignment of Iraq with the West. The extent to which he is likely to commit Iraq, including possible adherence to the Turkish-Pakistani pact, will depend, however, on his estimate of probable local and Arab reaction.

In Syria, the elections, which have been frequently postponed because of the politicians' inability to agree on electoral procedures, will probably be held as currently scheduled--on 24 September. The formation of a "general national union" of the major political parties under the leadership of ex-president Shukri Quwatli makes this possible.

This achievement suggests that Quwatli, who was ousted from the Syrian presidency in 1949 by an army revolt, is by far the strongest candidate for that office now. His election would assure Syria--at least in the short run--of a relatively stable government. It will apparently be a coalition government, however, and--in the light of Syrian experience--it is unlikely to be strong or inspiring.

**SECRET**

**SECRET**

Should the "general national union" collapse, action can be expected from the extreme socialist and Communist elements, who profited considerably from the political deterioration following the overthrow of Shishakli on 25 February. The army also would then be tempted to set up a military dictatorship again.

In Jordan, where elections are scheduled for 16 October, Prime Minister Abul Huda, an aggressive politician of the traditional ruling group, is expected to obtain a workable majority in the new parliament. Huda dissolved the former parliament on 22 June when it failed to co-operate fully with him. His readiness to use whatever measures he deems necessary to control the situation is likely to assure him of control of the elections. Abul Huda's government will continue to be pro-Western and maintain a relatively moderate attitude toward Israel.

The elections in the three states will probably result in the return of governments that are anti-Communist, generally friendly to the West, and amenable to Western influence. In the longer term, however, the inherent weaknesses of these governments will invite serious internal efforts toward change, with accompanying disruptive effect.

**SECRET**

**SECRET****AIRCRAFT PRODUCTION IN EUROPEAN SATELLITES INCREASES\***

Increased aircraft production in Czechoslovakia and the initiation of jet fighter production in Poland tend to reduce the dependence of the European Satellite air forces on the Soviet Union for their military aircraft requirements. Satellite production is expected to reach approximately 1,200 aircraft during 1954, or about 12 percent of the estimated Soviet production (see chart, p. 12).

The Satellite air forces, which languished until 1951 but have almost doubled in size during the past two years, appear to have been developed primarily to provide additional air defense for the Soviet Union. Except for Poland, which has 40 IL-28 jet light bombers, Satellite air strength consists principally of fighter and ground attack planes, the types of aircraft now manufactured in Czechoslovakia and Poland.

Czechoslovakia produces over 90 percent of the Satellite aircraft output and is becoming the major supplier of the Eastern European air forces.

Preparations for manufacture of the IL-10 ground attack aircraft were begun in 1950, and this plane was put into series production by mid-1952. Approximately 450 IL-10's were made in Czechoslovakia last year, but attaché reports suggest that the IL-10, which is now considered obsolescent, is being phased out of production.

Technical arrangements for Czech manufacture of the MIG-15 were initiated in May 1951, and production was started in mid-1952. Output increased gradually, and in June 1954, estimated production rose to approximately 50 aircraft per month. Czech MIG production now constitutes one half the Satellite aircraft output. The workmanship of the Czech-built MIG airframe is reported to be superior to that of the MIG built in the USSR.

In addition to MIG's and IL-10's, Czechoslovakia produces trainer aircraft and sports planes. The Czech aircraft industry is believed to be operating at less than full capacity, however, and could produce other aircraft such as the Soviet IL-28 jet light bomber or the MIG-17, the latest Soviet jet fighter.

---

\*Based on a study by the Office of Research and Reports.

**SECRET**

~~SECRET~~

Poland is the only other Satellite country producing combat aircraft. The Poles began preparations for MIG-15 manufacture in late 1951. Series production was apparently started in late 1953, with output rising to an estimated 60 MIG's during 1954. Since Hungary, Rumania, Bulgaria, and Albania do not produce combat planes, their air forces depend totally on outside sources for aircraft and replacement parts.

Development of the aviation industry in Eastern Europe has proceeded under Soviet license. The USSR supplied blue-prints, production models, and technical assistance to Czechoslovakia and Poland when production of new models began. The Satellites continue to be dependent on the Soviet Union for alloying elements, but apparently no significant airframe or component parts are supplied by the USSR for Satellite aircraft production.

Czechoslovakia, with its high level of technology, can be expected to be the first to undertake manufacture of newer Soviet aircraft models. The Czech air industry was greatly expanded by the Germans during World War II and was further enlarged by the construction between 1950 and 1953 of a MIG assembly plant at Vodochody airfield north of Prague and a plant at Kunovice in eastern Czechoslovakia which produces YAK-11 trainers.

Compared with Czechoslovakia, the Polish aviation industry is poor in technological skills and production facilities. The level of technology of the remaining Satellites is so low that extensive guidance and material assistance from the USSR would be necessary to achieve significant aircraft production.

In the Eastern European area, East Germany possessed the highest level of technology during World War II and has the potential of again becoming a major aircraft producer. Preparations were made for production of the MIG-15 and the YAK-18 piston trainer in East Germany, but these plans were canceled, apparently as a result of production reallocation under the new economic course. In recent months the Soviet Union has returned the remaining East German aeronautic experts employed in the USSR since 1946. The returnees have reported plans for their participation in the development and possible production in East Germany of transport aircraft.

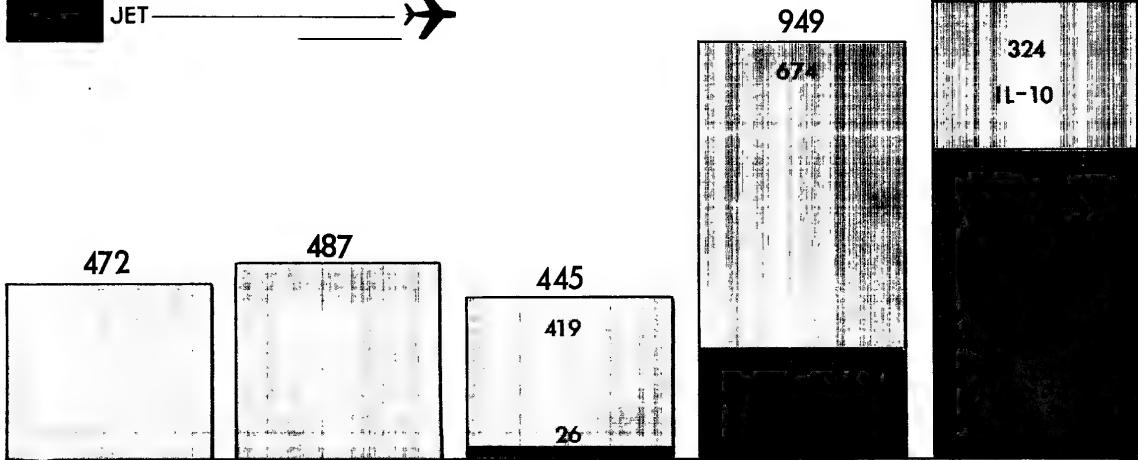
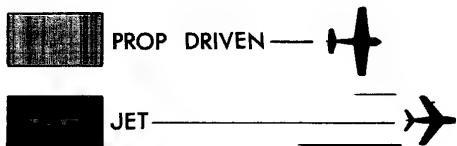
~~SECRET~~

SECRET

SECRET

## SATELLITE AIRCRAFT PRODUCTION

1950 ————— 1954



40831-2

~~SECRET~~

## SATELLITE PRODUCTION REPORTS INDICATE 1954 PLAN FAILURES

All the Eastern European Satellites except Poland failed to meet their original production goals for the first six months of 1954. The Satellites announced large gains in the output of consumer goods, but these increases were offset by failures in critical sectors of heavy industry. While the setbacks were partly due to blizzards, which hampered mining operations and disrupted transportation, they also reflect the difficulties caused by the raising of allocations to agriculture and light industry concurrently with efforts to push heavy industrial production.

Albania and Bulgaria admitted underfulfillment of their six-month plans. Rumania claimed that it met its targets for the first half of the year, but made no announcement of the percentage increase in industrial production over 1953. This omission, combined with an absolute decline in production late in 1953, makes it unlikely that Rumanian industrial production was above the level attained by mid-1953.

Czechoslovakia and Hungary also claimed that planned targets were slightly surpassed. However, since both countries announced industrial growth rates lower than those called for in original 1954 plans, it appears that the "over-fulfillment" was made possible only by further reductions in planned targets. East Germany announced that it had fulfilled its second quarter plan by 100.5 percent, but the first quarter plan was fulfilled by only 97 percent. East German production, therefore, remained behind schedule at mid-year.

Poland, reporting a 102.8 percent fulfillment and a growth rate of 14 percent, appears to be the one Satellite generally meeting plan schedules in spite of shortfalls in the production of several important commodities.

This general Satellite failure is in sharp contrast with the performance of the USSR, where the six-month plan goals were surpassed.

Despite these shortcomings, all the Satellites announced that substantial progress had been made in expanding production and distribution of consumer goods, with gains ranging from 15 to 20 percent over early 1953 levels. These gains were not sufficient, however, to offset the shortfalls of heavy industry. Most of the Satellites failed to reach coal or electric power goals, and several countries failed to meet both targets. The most serious setback apparently occurred in East Germany, where only one fourth of the new power generating equipment scheduled for use in 1954 was in test operation by the end of June.

10 Sept 54

CURRENT INTELLIGENCE WEEKLY

Page 13

~~SECRET~~

~~SECRET~~

A basic cause of these failures appears to be the lack of success the regimes have had in eliminating worker apathy. Government leaders continuously complain about the poor quality of workmanship, chronic absenteeism, and failure to reduce production costs as scheduled. In a particularly candid statement, Czechoslovakia admitted that absenteeism during the first quarter of 1954 was higher than before the inauguration of the new course.

Thus, in spite of the modest rates of industrial expansion scheduled for this year, the performance of the Satellites during the first six months indicates that 1954 targets are in jeopardy. Unless the labor force responds to the incentives program, the policy of shifting resources from heavy industry to light industry and agriculture will fail to achieve a rise in labor productivity, and the Satellites will continue to fall short of economic goals in future years.

10 Sept 54

CURRENT INTELLIGENCE WEEKLY

Page 14

~~SECRET~~

~~SECRET~~  
STRIKES IN SOVIET FORCED LABOR CAMPS DURING 1953

It has been generally held that the Soviet state has developed a system of controls so efficient as to preclude organized expressions of resistance. In the summer of 1953, however, major strikes occurred at several forced labor camps in the coal mining area near Vorkuta and at the copper mining center of Norilsk, both in the far north. Information from various sources on these developments indicates that under certain conditions the Soviet forced labor system is not invulnerable to antiregime activities, and supports emigré claims that so-called "resistance centers" have been formed by prisoners.

The strikes suggest that changes in the Soviet political scene or in labor camp policy quickly affect the attitude of the prisoners, even though the camps are remotely situated and often cut off from sources of outside information. Apparently, in Vorkuta it was the impact of Beria's downfall, following Stalin's death and the East German uprising, which encouraged the outbreaks. At both Vorkuta and Norilsk, the action was initially precipitated by newly arrived and less disciplined prisoners from Karaganda, a labor camp site in Central Asia, who immediately exercised a militant leadership among the camp inmates.

Like other segments of the highly centralized Soviet government, the labor camp administrations are ineffectual when faced with new or unexpected situations. At Vorkuta, the camp regime reacted initially by granting some of the strikers' demands. When the strikers, encouraged by these gains, pressed for more, and still refused to enter the pits, the authorities became confused, shrank from the use of force, and temporized until a high-level investigating team arrived from Moscow well over a week later. However, as a result of this experience, the camp authorities were prepared to quell a second series of strikes.

The existence of organized groups among the political prisoners in the camps has been generally confirmed. While most of the groups seem to be formed along ethnic lines, some are based on religious ties, and a few result from common political convictions. This last category consists primarily of active socialist elements. That the leaders could organize a genuine strike, set up strike committees, distribute leaflets and preserve some degree of discipline is proof of their ability and the strength of their organizations.

The most recent information from Vorkuta suggests that the strikes resulted in a reversal of the Stalinist policy of treating the political prisoners far more harshly than the criminals. Control over the criminals was tightened, particularly over those who, released under the amnesty of April 1953, were again convicted of criminal offenses.

**SECRET****SPECIAL ARTICLE****CURRENT TACTICS IN THE FAR EASTERN COMMUNIST PROGRAM\***

Moscow and Peiping are playing complementary roles in the post-Geneva phase of the Far Eastern Communist program, which almost certainly will continue to emphasize political forms of action. The developing program is apparently to involve an increase in conciliatory gestures toward the Asian "neutrals" and Japan, an increase in menacing gestures and subversive activity directed primarily toward governments which co-operate closely with the United States, and limited military action against Chinese Nationalist territory.

The combination of conciliatory gestures by Moscow and Peiping, menacing gestures by Peiping, and subversive activity supported by both, is being applied to the non-Communist governments of the Far East in varying mixtures. The emphasis with respect to the Colombo powers and Japan is on diplomatic action, although Peiping's military posture is designed to confirm or promote their neutralism, and subversive efforts continue. In the cases of South Korea, the Associated States, Thailand, the Philippines and Formosa, the emphasis is definitely on subversion and threats.

The conciliatory part of the program is designed to present Moscow and Peiping as united champions of peace and good will in Asia. Anticipated maneuvers are further invitations to Asian leaders to visit the Communist capitals, bids for vague nonaggression agreements between China and other Far Eastern governments, Communist support for Asian governments in matters disputed with the West, better treatment of both Asian and Western diplomats, exploitation of the related issues of Formosa and China's seat in the UN, further "cultural" exchanges, an intensified trade promotion campaign for political rather than for economic purposes, an effort to allay fears of border encroachment by the Chinese, and adoption of a softer policy as regards the 10,000,000 Overseas Chinese in Southeast Asia. Possible maneuvers include the offer of a regional alternative to a Western-sponsored regional security system and the offer of a peace treaty to Japan.

---

\*This is the second of two articles on the Communist program in the Far East.

**SECRET**

~~SECRET~~

The menacing part of the program is aimed at exploiting the general sense of helplessness in the Far East before Communist power. Moscow and Peiping have already begun to warn other governments of the possible consequences of participating in anti-Communist security systems and bilateral pacts, and Peiping's propaganda on Formosa and operations against the offshore islands are meant to give point to such warnings as well as to test American intentions.

The subversive part of the program varies widely. In certain countries it is apparently to be emphasized for lack of an alternative. In others it appears to be a hedge against failure at the diplomatic levels, or to be designed to complement diplomatic action. In still others it seems to be a long-range effort from which little is expected in the near future.

Opposition to SEAP: Sino-Soviet conciliatory gestures toward the Colombo powers were probably responsible in part for the refusal of all but Pakistan even to discuss a Southeast Asian security arrangement. The Communists may well feel that, by their blandishments and warnings to date, they have already undermined Southeast Asian defense to the point where it is unnecessary to offer the dramatic alternative of an all-Asian nonaggression pact.

Campaign against the Chinese Nationalists: Chinese Communist spokesmen, supported by the Soviet press, have been calling since early July for the "liberation" of Formosa and Nationalist-held offshore islands. Peiping's line on this project--that it is an "internal" affair consistent with a "peaceful foreign policy"--indicates a belief that the Communist regional program would not be hampered by military operations against the Nationalists.

As the American intention to defend Formosa has been made clear to the Communists, an early attack on the island seems improbable. Since 1950, Peiping has avoided committing itself to any deadline for a Formosa operation, and current propaganda continues to imply that further preparations are necessary in a full-scale assault. In the meantime, Peiping has greatly intensified propaganda aimed at securing Nationalist defections.

Communist amphibious attacks on the major Nationalist-held offshore islands are a much stronger possibility, in the absence of definite indications of an American intention to protect them. The Communists have the capability of seizing any or all of these offshore islands against Nationalist opposition alone.

~~SECRET~~

**SECRET**

Korea: Moscow and Peiping apparently regard the Korean situation as relatively stable. The North Korean regime is not expected to jeopardize the regional program by attacking South Korea again in the near future, although there is a marginal possibility that South Korean threats or preparations to attack the North will eventually be used as a pretext for another Communist invasion. The Communists seem likely to continue to offer superficially conciliatory proposals for unification, to clamor for renewed negotiation, and to explore all possibilities for subversion.

Indochina: As in Korea, the Communists in Indochina are not expected to make large-scale attacks across military demarcation lines. Their program appears to involve efforts to consolidate control of northern Vietnam and northern Laos, to subvert southern Vietnam and southern Laos, and to prevent the liquidation of their forces in Cambodia, while attempting to prevent all three states from joining defense alliances.

Both Moscow and Peiping have taken steps to give the Viet Minh new prestige. Both have appointed ambassadors, have entertained and praised Viet Minh leaders, and have given extensive publicity to the Viet Minh cause. The USSR is sending ten military attachés in advance of the rest of its diplomatic mission, suggesting an immediate Soviet contribution to building up Viet Minh regular forces.

Indonesia: The Communist program in Indonesia is progressing so favorably that no fundamental change in the line appears likely. In the past year the Indonesian government has increased its political and economic ties with the Orbit and the Indonesian Communists have strengthened their influence.

Among the steps which Moscow and Peiping have recently taken to promote Communist goals in Indonesia are: appointing a new Soviet ambassador, granting the Indonesian ambassador in Moscow interviews with leading Soviet officials, withdrawing local Chinese from the Indonesian Communist Party to strengthen the latter's posture of nationalism, suggesting that agreement is possible on the status of Overseas Chinese. Other possible steps are: assignment of a more skillful Chinese ambassador than the one recalled in 1952, invitations to Indonesian leaders to visit Moscow and Peiping, better treatment of Indonesian diplomats in Peiping, and an offer to Djakarta of a nonaggression pact.

**SECRET**

**SECRET**

Malaya: Malaya is another country where no basic change in the Communist line seems necessary. As Moscow and Peiping cannot hope to influence the British authorities in Malaya at the diplomatic level, they are likely to increase their efforts on the subversive plane, working with the predominantly Chinese Malayan Communist movement and the Overseas Chinese there.

The Communists in Malaya are expected to maintain their armed forces of about 6,000 men, to persist in a campaign of "selective terrorism," and to expand their subversive effort in security forces, schools and labor. There are indications that they are infiltrating the non-Communist independence movement. The Malayan Communists have not made a bid for a "negotiated settlement," and in any case the British would reject the offer.

Burma: The Communists do not seem to have made up their minds whether to emphasize diplomatic or subversive action in Burma, although the invitation of Burmese premier U Nu to Peiping makes the former seem more likely for the present.

External Communist support of the Burmese Communists thus far has been limited both by diplomatic considerations and by the failure of the various insurgent elements either to develop unity or to establish a firm base area near Yunnan province. Should insurgent forces make progress and Sino-Soviet diplomatic maneuvers fail, there would probably be an increase in Chinese aid to the insurgents and to the legal Communist-front Burma Workers and Peasants Party, in infiltration of Chinese communities, and in the already substantial propaganda and recruiting effort among the minority peoples near the Yunnan border.

Thailand: Moscow and Peiping have increased their efforts to frighten Thailand out of co-operating with the West. Knowing the Thai tendency to accommodation, they are denouncing the "venal, corrupt, half-Fascist Thailand government" and encouraging the Thais to believe that the Chinese might be provoked into invading Thailand and that the United States cannot be counted on as a defender.

**SECRET**

**SECRET**

Pridi Phanomyang, former Thai premier, reappeared in Peiping in July as a Communist puppet and publicly denounced the Thai government, urging the Thai people to struggle against their rulers. Moscow and Peiping may be planning, and in any case are exploiting the Thai fear of, a coup by Pridi's followers in Thailand.

Another locus of Communist pressure on Thailand is the area of northwestern Vietnam, northern Laos, and the Thai autonomous area in southern Yunnan, the peoples of which are racially and culturally similar to those of Thailand. As Communist control of these areas is consolidated and extended toward northeastern Thailand, the center of antigovernment sentiment, the stage will be set for an "internal" uprising supported from China and Indochina.

The Philippines: Beyond range of Communist military power, not susceptible to Communist diplomatic maneuvers, and waging a successful battle against indigenous Communist forces, the Philippines seem to be an area where the Communists have no immediate hopes. Moscow and Peiping are expected to try to increase their influence over the Philippine Communist Party, to extend their penetration of the Overseas Chinese, and perhaps to try to exploit the fear of ultranationalist Philippine leaders that close ties with the United States make the islands a more likely target of Communist aggression.

India: The Communist powers are almost certain to devote greater attention to exploiting the aggressive "neutralism" of New Delhi than to supporting the relatively weak Indian Communist Party. Soviet gestures have included a Malenkov interview with an Indian "peace" leader, the award of a Stalin peace prize to another Indian, the donation of Soviet Red Cross funds for Indian flood relief, and extensive Soviet publicity for Nehru's views.

Nehru's acceptance of the Chinese invitation to visit Peiping in mid-October will give the Communists an unusually good opportunity next month for propaganda treatment of Asian solidarity themes and for countering Western efforts to alert Asian states to the Communist danger. The Chinese may offer Nehru a formal nonaggression pact, although both parties have thus far suggested that the "five principles" in the preamble of their treaty on Tibet are sufficient. Possible Chinese gestures include recognition of the Indo-Tibetan boundary claimed by India, withdrawal of Chinese claims to parts of Kashmir, Assam and other border territories, and greater friendliness to Indian diplomats in Peiping.

**SECRET**

~~CONFIDENTIAL~~~~SECRET~~

Indian Border States: The Chinese have failed to exploit their capabilities for subversion in the border states of Nepal, Bhutan and Sikkim, presumably in order to retain Indian good will. The most likely target of increased Communist pressure would seem Nepal, which has an old treaty with Tibet requiring revision, where there is some sentiment for relations with Peiping, and where the Communists although illegal are fairly strong, and there is some popular following for the Chinese-sponsored insurrectionary K. I. Singh.

Pakistan and Ceylon: Moscow and Peiping are not expected to expend on Pakistan and Ceylon anything approaching the effort directed to the other Colombo powers, as both Karachi and Colombo have been chilly to the Communist powers and Communist movements there are weak. Pakistan will presumably be urged to remain out of any Southeast Asian defense arrangement, and Ceylon may be urged to establish diplomatic relations with Peiping and to increase trade. Both Pakistan and Ceylon may be asked to accept or send "good will" missions.

Japan: Moscow and Peiping have made several recent moves to exploit Japanese neutralist sentiment. Vyshinsky outlined the approach in July by telling a visiting Japanese Diet delegation that the USSR "earnestly hoped" to establish diplomatic relations as soon as possible, to conclude a long-term trade agreement and to exchange trade representatives and increase cultural visits. He also said that the question of releasing Japanese prisoners still held as war criminals would be "favorably solved."

Despite Vyshinsky's remarks, a dramatic Communist overture to Japan--for a peace treaty, establishment of diplomatic relations and perhaps a nonaggression pact--does not seem likely in the near future. Moscow has shown no inclination to meet past Japanese terms, and Peiping has thus far insisted that the "major obstacle" to normal relations is Japan's association with American policies toward Communist China and Nationalist China.

The Communists have continued, however, to hold out an economic bait to Japan, most recently in the Soviet offer to ship 60,000 tons of Sakhalin coal to Japan at a substantially reduced price. Moreover, the Chinese have announced that some hundreds of Japanese "war criminals" will be released.

Believing that political and economic pressure will force some change in the Japanese government's orientation, Moscow and Peiping are increasing their efforts to promote economic and cultural contacts below the government level. The Japan Communist Party's program is directed primarily toward supporting Sino-Soviet maneuvers of this kind.

10 Sept 54

CURRENT INTELLIGENCE WEEKLY

Page 21

~~SECRET~~~~CONFIDENTIAL~~